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Current Foreign Relations

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EUROPE

NATO MINISTERIAL MEETING

The 51st Ministerial Meeting of the North Atlantic Council, held in Copenhagen June 14-15, reflected a broad measure of Allied cohesion on the key issues of a Conference on Security and Cooperation in Europe (CSCE), Mutual and Balanced Force Reductions (MBFR), the linkage between CSCE and MBFR, and the US proposal for a review of Atlantic relations.

The Ministers welcomed a reiteration of the US pledge to maintain and improve US forces in Europe, provided the Allies do likewise, and not to reduce them in the absence of reciprocal reductions by the other side. From the US point of view, this was the most successful NATO Ministerial in years. It was agreed that the next meeting will be held in Brussels December 10-11. (For discussions on the UK-Icelandic fisheries dispute see article below.)

Examination of NATO Relations

Noting that profound changes are taking place in every field of international activity, the Ministers agreed to examine their relationships in the light of these changes "in a spirit of solidarity and by a common effort." This represented a compromise following a tough statement by French Foreign Minister Jobert taking issue with the US initiative on this subject. Most other Ministers generally supported US current objectives and specifically proposed that NATO formulate a new declaration of principles. Thus, the stage is set for later talks by the US with its Allies on the next steps in developing a set of common objectives and principles.

Agreements on CSCE

The Ministers all expressed satisfaction with the results of the multilateral preparatory talks on a CSCE. None expected the second (i.e., commission) phase of the Conference to begin

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substantive discussions before September. Many called for further Allied efforts over the summer to refine Allied positions for use in the second phase. It was generally agreed that a decision on the level of participation in the third phase should be taken in the light of progress in the second phase. The Ministers agreed that the second phase should not proceed under any artificial time limitations, and that they would inform the Finnish Government of their acceptance of July 3 as the date for the beginning of the first phase of the Conference.

Agreements on MBFR

The Ministers unanimously agreed on the paramount importance of maintaining Allied cohesion during negotiations on MBFR. They also agreed that Allied security should remain undiminished--with no change in the relative military balance between East and West--and that present NATO strategy should not be affected. There was strong support for an initial reduction in US and Soviet forces--within a general focus on stationed forces--leaving open the option of later reductions of other stationed and of indigenous forces. Only Germany pressed for guidelines allowing flexibility in dealing simultaneously with stationed and indigenous forces.

MBFR-CSCE Timing

Despite earlier indications that the Netherlands, Canada, and to a lesser degree Belgium would insist on tying the opening date for CSCE to Soviet agreement to begin negotiations on MBFR by October 30, the US approach on this issue was accepted--the Allies agreed after some debate that the two sets of talks should move ahead in parallel but not be explicitly linked. Accordingly, the communique placed the onus clearly on the Soviets to accept the October 30 date for MBFR, as the Allies upheld their part of the bargain by agreeing to begin the CSCE July 3, on schedule. (The Russians previously proposed that negotiations on MBFR should begin by the end of the year, with the precise date being fixed later by the direct participants, and Allied representatives in Vienna reacted negatively to this proposal.)

US Statements on Talks with the Soviets

In his address at the meeting, Secretary Rogers said that we did not expect the talks with Soviet General Secretary Brezhnev during his visit to the US to have the dramatic ground-breaking

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character of the US-Soviet summit meeting in Moscow last year, but that we expected them to be significant, and that we looked for a series of agreements on bilateral cooperation similar to those that were signed in Moscow in May 1972. He pointed out that we seek concrete results and not just grandiose generalities.

The Secretary noted that the implementation of the Moscow agreements has proceeded in a generally satisfactory manner, and that in addition to renewal of the US-Soviet exchanges agreement, we are now negotiating other possible agreements--e.g., on agriculture, oceanography, transportation, peaceful uses of atomic energy, and taxes. He assured the Council that there would be no decisions taken or agreements reached that would be detrimental to the Atlantic Allies, and that we would keep the NATO Allies advised as actively and fully as possible.

US View of CSCE

The Secretary pointed out to the Ministers that we have approached the CSCE with skepticism about the value of purely symbolic acts and with determination to press for progress on specific issues. He expressed our view that the initial meeting of Foreign Ministers in the CSCE should be brief--ideally no longer than a week--and that such a meeting is not the appropriate forum to carry out any extensive negotiations on points of substance. He expressed our opposition to any artificial timetable for the CSCE, stating that when we agreed to enter these talks, we agreed on the basis that we would insist on concrete results, and any artificial timetable would make it much more difficult to achieve such results.

The Secretary expressed our belief that the initial CSCE meeting of Ministers would not be the appropriate occasion to discuss drafts of any final CSCE documents which might be tabled by the Eastern powers or to seek agreement on the level of representation in the final stage of the conference.

US Views on MBFR/CSCE Linkage

In discussing MBFR, the Secretary reiterated our view that MBFR should focus initially on stationed forces and that indigenous force reductions, if any, should come in a subsequent phase. He also expressed our belief that it is important for negotiations on MBFR to begin on or before October 30. He pointed out that

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we would be willing to see the first stage of the CSCE begin on schedule early in July, but that we have also told the Soviets in the strongest possible terms that we expect them to uphold their end of the agreement to begin MBFR negotiations no later than October 30.

US Stresses Need for NATO Strength

The Secretary told the Council that as we move toward negotiations on MBFR, it is more important than ever that NATO maintain its strength and that we not be misled by any euphoria about detente. He pointed out that there can be no doubt that improved relations with the USSR have come about because of the strength of the Atlantic Alliance.

* * *

NATO MINISTERS DISCUSS UK-ICELANDIC DISPUTE

In discussions at the NATO Ministerial meeting in Copenhagen June 14-15, the UK and Icelandic Foreign Ministers presented their respective positions on the fisheries dispute between their countries. A round of statements by other Foreign Ministers urged an early resolution of the dispute. Secretary Rogers took the lead in urging that a clear distinction be made between the issue of the US base at Keflavik and the UK-Icelandic problem.

Neither Iceland nor the UK showed signs of yielding its current position, but the Icelandic Foreign Minister admitted that the fisheries and base issues are separate. NATO Secretary General Luns indicated that he would continue his behind-the-scenes efforts to bring about a withdrawal of British naval vessels from the fisheries zone claimed by Iceland and subsequent cessation of harassment of UK trawlers by Iceland.

Iceland's Case

Icelandic Foreign Minister Agustsson argued that the UK had provoked Iceland by sending warships to the area, and that the

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*Iceland's Agustsson--
UK Provocation
Requires UK Withdrawal*

first step to resolve the dispute should be immediate UK withdrawal. He indicated that following UK withdrawal, talks between the two countries could be resumed. He expressed concern that no progress had been made toward resolution of the issue in two weeks following an Icelandic request for NATO assistance, and he concluded that the Icelandic people would find it necessary to reassess their participation in the Atlantic Alliance if NATO could not help.

Agustsson said that a request for review of the US-Icelandic Defense Agreement under Article VII of the Agreement would be submitted to the North Atlantic Council later this month. (Article VII provides that either government may request the North Atlantic Council to "review the continued necessity" for the defense facilities in Iceland and make recommendations to the

two governments; that if no understanding between the two governments is reached within six months after such a request, either government may give notice of its intention to terminate the agreement; and that the agreement will then cease to be in force twelve months after such notice.)

British Rebuttal

In a rebuttal of the Icelandic argument, British Foreign Secretary Douglas-Home recalled that he and the previous Icelandic Foreign Minister had agreed in 1961 that any future disagreements would be referred to the International Court of Justice. He said that Iceland had reneged on this agreed procedure in the current phase of the dispute, but that the International Court had nevertheless given a judgment on what a fair catch for the UK would be. He added that the UK had indicated a willingness to shave the catch to even less than the Court's judgment in an attempt to conciliate the Icelanders, but that the Icelandic harassment of UK trawlers which began 18 months ago had not ceased, and that the British Government had not been able to refuse a request of its fishermen for protection. He promised that British warships could be withdrawn if Iceland could "find some way to assure us" that the harassment would cease.

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Norwegian, Danish, and Canadian Comments

The Norwegian Foreign Minister expressed concern about the effect of the dispute on the Alliance and appealed to the UK to make the first move by withdrawing its warships so as to pave the way for renewed negotiations. The Danish Foreign Minister took the same line, admitting that the UK had a right to stay in international waters but could nevertheless make a useful gesture by withdrawing. The Canadian Foreign Minister advised the Icelanders not to bargain economics for security by linking the base and fisheries issues, but he balanced his statement by expressing the hope that the UK would take the initiative to break the impasse.

US Position

Secretary Rogers stressed that there was no need for the Icelanders to associate the base issue with the fisheries issue, pointing out that discussions on the base had begun 18 months ago--well before the current fisheries dispute--and had been proceeding in a friendly atmosphere. He said that the US for its part would continue to ensure that the base was not a source of difficulty for the Icelanders. He expressed the hope that the Icelanders would not invoke Article VII of the US-Icelandic Defense Agreement until a *modus vivendi* could be worked out.

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Secretary Rogers--Making a Clear Distinction between the Keflavik Base Issue and UK-Icelandic Problems

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MBFR EXPLORATORY TALKS JUNE 9-15

MBFR Communique

Allied and Eastern representatives in Vienna reached *ad referendum* agreement on the text of a final communique for the exploratory talks, with only the date of the negotiations yet to be specified. The draft communique:

- specifies Vienna as the site of the negotiations;
- provides on agreed designation for the negotiations-- namely, "mutual reduction of forces and armaments and associated measures in Central Europe;"
- indicates that an agenda for the negotiations has been discussed but not agreed on;
- describes the purpose of the negotiations as the strengthening of peace and security in all of Europe;
- acknowledges the principle of undiminished security as the premise of the negotiations;
- establishes the right of the direct participants to introduce into the negotiations any topic relevant to the subject matter.

Although the Soviets refused to agree to the use of the term "balanced" or its equivalent in the description of the talks or elsewhere in the communique, they did agree to a reference to "associated measures." This would permit raising constraints as a topic for negotiation. The Allies in the Ad Hoc Group were on the whole satisfied with the draft communique and reported on it positively to the North Atlantic Council. According to the Soviet representative in Vienna, the text is also likely to be satisfactory to Moscow.

German Presentation to DPC

In a forthright statement of the current German position on MBFR negotiations to the NATO Defense Ministers at the meeting of the

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NATO Defense Planning Committee in Brussels, German Defense Minister Leber formally enunciated his government's support for MBFR negotiations that would include both stationed and indigenous reductions.

Leber pointed out that reductions of stationed forces alone could have an impact on German public opinion which would force the German government unilaterally to reduce the Bundeswehr. Only if there were an agreement on an eventual reduction in German forces, even if implemented "some years later" than stationed reductions, would it be possible for a German government to maintain its forces at their present level in the immediate future and to sustain the current level of defense spending. Most other Defense Ministers, however, reiterated their governments' view that initial negotiations should concentrate on US and Soviet forces.

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INTER - AMERICAN AFFAIRS

RESOLVING THE COLORADO RIVER SALINITY PROBLEM

Secretary Rogers presented to the Mexican Government on May 13, 1973 a new proposal for a definitive and just solution to the Colorado River salinity problem with Mexico.

Moving To Improve the Quality of Water Delivered to Mexico

When President Nixon and President Echeverria of Mexico met in June 1972, President Nixon announced that the United States would take steps immediately to improve the quality of the water delivered to Mexico, and that he would appoint a Special Representative to find a permanent, definitive, and just solution to the problem.



Mexican President Echeverria: The US Is Meeting His Concerns about the Colorado River Salinity Problem.

Under Minute No. 241, an agreement of the International Boundary and Water Commission, the salinity of the water made available to Mexico at its principal diversion point was promptly reduced by more than 100 parts per million. The former Attorney General, Herbert Brownell, subsequently took up the task of the Special Representative. He submitted his report and recommendations on December 29, 1972, and the new US proposal of May 13 is based on his recommendations.

\$70 Million for Public Works Construction?

The US proposal would provide for the eventual elimination from the water delivered to Mexico of all adverse effects from the saline drainage waters of the Wellton-Mohawk Irrigation District of Arizona. The introduction of these drainage waters

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occasioned the salinity problem in 1961, and the removal of their adverse effect, together with other related undertakings and understandings, would constitute the proposed solution.

Assuming that agreement can be reached with Mexico on this basis, the solution would entail the construction and later operation and maintenance by the Federal Government of extensive public works, including the construction of the world's largest desalting plant. The estimated construction cost of these works is \$70 million, and annual operation and maintenance would exceed \$6 million. A construction program for these works will be presented to the Congress for authorization and funding as soon as an agreement is concluded.



Mr. Brownell met with Mexican officials during the week of June 11 to discuss the US proposal with them. Officials of both governments are now considering the proposal further for the purpose of accommodating the remaining divergent views. They expect to resume their discussion July 3 in Washington.

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VENEZUELA CHALLENGES OAS CUBA POLICY--THEN BACKS AWAY

In the first week of June, Venezuela's Ambassador to the OAS let it be known among his Permanent Council colleagues that he had instructions to request a special Council meeting on June 11 to discuss OAS policy toward Cuba. He indicated that Venezuela would put forward a draft resolution tied to the principle of "plurality of ideologies" and affirming the right of each member government to establish relations with Cuba whenever it judged it convenient.

Such a resolution, he explained, would not remove the diplomatic and trade sanctions applied against Cuba by OAS Foreign Ministers

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in 1964, but would merely allow each member government to assess the present Cuban threat in terms of its own interests. Presumably, the sanctions policy would remain in force, but its implementation would be left to the judgment of each government.

Venezuela Shelves Its Own Proposal

Before the week ended, however, the Venezuelan Ambassador clearly got cold feet and was uncertain as to just when the Council should meet to discuss his proposal. He appears to have judged initially that he had the votes necessary for its approval by a simple majority (12 votes), only to discover afterward that at least one supporter--perhaps Costa Rica--had defected after having second thoughts about its juridical implications. Not willing to settle for the "moral" victory claimed by Peru after a similar go-round last summer, Venezuela decided finally to put its proposal on ice for awhile.

US Position

As in the case of Peru's very similar proposal last year, the United States opposed Venezuela's initiative as being both juridically unsound and politically unwise. We could not accept the specious argument that a Council resolution which flatly contradicted the "obligatory" character of sanctions adopted under the Rio Treaty "did not alter" present OAS policy toward Cuba. Nor could we agree that the Council was free to take such action by simple majority vote, when its mandate according to the 1964 decision is limited to lifting sanctions by two-thirds vote when Cuba no longer threatens hemispheric peace and security.

In our view, the "plurality of ideologies" principle sheds no new light on the question, since it is Cuba's interventionism--not its ideology--which accounts for the present sanctions policy. So long as Cuba persists in supporting violent revolution in other countries, we believe that any relaxation of the sanctions policy would be politically unwise.

We are gratified that Venezuela's proposal was abandoned without being tested in the Permanent Council, due to lack of sufficient votes to ensure its passage. We note nevertheless that the "freedom-of-action" concept has garnered significant additional support since it was first advanced by Peru and rejected by the Council last year (7 for, 13 against, 3 abstentions). Argentina, Barbados and Venezuela have clearly moved from the abstention to the affirmative column, while the opposition of Colombia, Costa Rica, Guatemala and Uruguay seems to have weakened significantly.

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OAS Special Committee To Meet in Lima

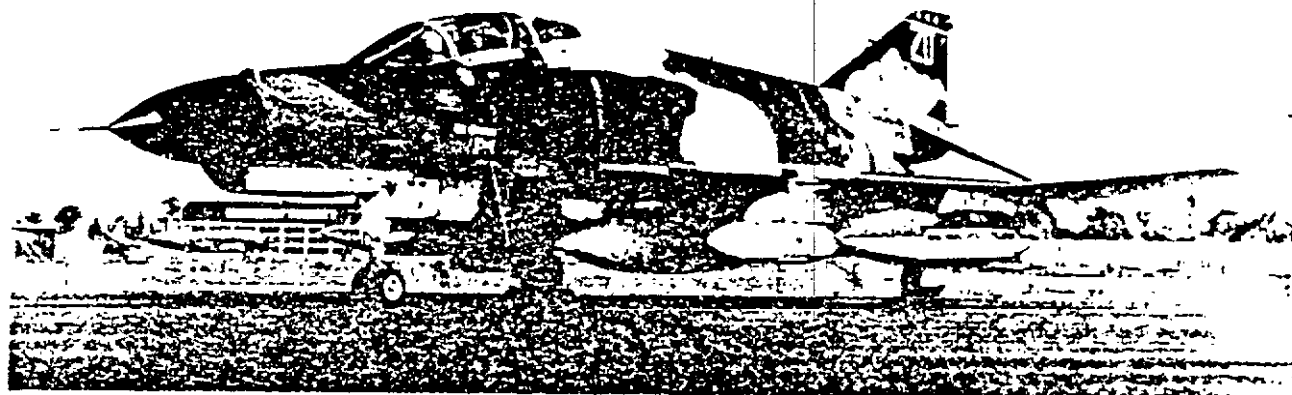
Commencing June 20th, the Special Committee established by the OAS General Assembly in Washington last April will meet in Lima to study possible reforms in the inter-American system. Whether Venezuela will attempt to use this occasion to resume its efforts on the Cuban question or await some other occasion is not clear. In any event the United States will continue to work with like-minded allies, such as Brazil, to oppose any present change, recognizing that despite our best efforts, our opponents may soon gain at least majority support for the Venezuelan proposal.

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NEAR EAST AND SOUTH ASIA

AGREEMENT IN PRINCIPLE TO SELL PHANTOMS TO SAUDI ARABIA*The F-4 Phantom Jet*

One of the principal US policies in the Persian Gulf since the British ended their protective treaty relationship has been to encourage friendly states in the area to assume increasing responsibility for collective security in this region. In the Gulf, the security of this area is being shared primarily by Iran and Saudi Arabia. In the Arabian Peninsula, Saudi Arabia must bear the primary responsibility for its own defense and to assist its smaller Peninsular neighbors. It is in this context that we have responded positively in the past to Saudi requests for the sale of military equipment and services and on which we based our agreement in principle to the sale of F-4 Phantom aircraft. These responses have been weighed in light of Saudi Arabia's limited manpower availabilities.

Background

Saudi Arabia recently requested US agreement in principle to sell F-4 Phantoms as a follow-on to shorter range Northrop F-5B and

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F-5E aircraft they are now acquiring from the US. Saudi concerns have been stimulated by the growing supply of Soviet arms into South Yemen and Iraq. In South Yemen, the Soviets have stepped up their deliveries of sophisticated weapons and aircraft.

The Saudis justifiably view the radical regime in Aden as representing a military threat to: (1) North Yemen, which is practically defenseless and which depends largely on Saudi Arabia for help in maintaining its security; (2) Oman because South Yemen continues to provide the base for the communist-led insurgency in Oman's western province of Dhofar; and (3) Saudi Arabia itself--last March, South Yemeni MIG's hit a Saudi border post. The Saudis are also concerned with the threat from Iraq, which has a substantial Soviet-equipped military force including MIG 21's.

The Saudis justify the need for a longer-range aircraft to protect the wide expanse of the Kingdom and to avoid building more air bases that would be required with only the shorter-range aircraft in their inventory. Even with the F-5's they are acquiring, they cannot provide satisfactory coverage to all parts of Saudi territory. The Saudis are also looking at the latest French Mirage F-1 as an alternative.

Political/Economic Background

The US has major and vital interests in Saudi Arabia because of the need of the Western world, and now including the US, for access to the Kingdom's vast oil resources. Saudi Arabia has become the world's largest oil exporter and soon will be the largest producer. Over the next seven to ten years, it will be the only country in the world capable of expanding its production enough to cover the anticipated increase in world energy requirements. It is also a major trading partner where we have enjoyed significant balance of payments benefits (over \$1 billion a year) because of our large trade surplus, remittances received from sales of services, and oil income which ARAMCO returns to the United States. We have had close relations with Saudi Arabia since World War II, and American companies have played a major role in its development. Its leadership has been moderate and constructive with most of its attention in recent years directed at developing its human and material resources and building up an infrastructure for this vast and lightly-populated country.

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Military Relationship

The US has had an ongoing military supply relationship with Saudi Arabia since 1951. Over the past several years this has involved sales programs related to air defense systems to give Saudi Arabia an interceptor and airlift capability, to develop a modest naval force composed of small vessels, to have a modern logistical and vehicle repair system, and to modernize its internal security forces. These programs, which involve the sales of goods and services both on a government-to-government basis and through private American contractors, are expected to continue for a number of years because of the need for training numerous manpower skills.

Principal Considerations

In reaching agreement in principle to the sale of F-4 aircraft, the decision was taken after weighing the following factors:

- (1) US interests and those of the Middle East will be best served if the US remains as the principal supplier of arms to Saudi Arabia. By responding positively now to the F-4's, it should ensure that aircraft in the post-1975 period will be of US origin and compatible with equipment now in or soon to enter the Saudi inventory.
- (2) Saudi Arabia, if it acquires this aircraft will be dependent almost indefinitely on American contract support personnel. This factor plus our requirement that these aircraft cannot be transferred to third parties without our prior consent, will give us a considerable element of influence over their use.
- (3) The Saudis have pointed out that US interests in the area are of growing importance, and we cannot appear to slight these interests without risking harm to our relations with Saudi Arabia.
- (4) Responding positively will enable a moderate Arab regime to demonstrate the benefits of friendship with the US and bolster its ability to resist radical pressures to weaken its ties with the US.
- (5) The request by the Saudis has not been made in the Arab-Israeli context (and it would be a mistake to look at it that way), but in terms of real Saudi concerns which are focused on the Arabian Peninsula and the Persian Gulf. Saudi Arabia is a vast

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country, and the Saudis have found that even with the F-5 aircraft (and its planned air-to-air refueling capacity) now entering their inventory they will have trouble providing air defense and air cover to Saudi forces along its frontiers. The Saudis have twice been attacked by South Yemeni forces and both times have found difficulty in supporting their frontier forces who are stationed several hundred miles from the nearest Saudi air base. The Saudis thus consider a longer-range aircraft a military necessity.

(6) The time frame for delivery and numbers involved have not yet been determined. These will be worked out after a final Saudi decision to choose the F-4 has been made. (The Saudis are also considering the French Mirage.) Even then, it will be several years before the aircraft are manufactured and the Saudi manpower to operate and maintain them is trained and in place.

(7) In making a decision on F-4's, we took into account the impact this sale might have on the Middle East balance of power. We concluded to our satisfaction that if the sale is consummated, it would not destabilize the military balance between Israel and the Arab states in the latter 1970's.

US Policy Interests

We have kept in close touch with the Israelis about our interests in the Gulf. While the Israelis are in general agreement with the strategic importance of the region, they have expressed concern about the sale of arms to Saudi Arabia and Kuwait, especially the F-4. We can understand these concerns, but do not think they override our broader policy interest of doing what we think is necessary to support Saudi Arabia, which has major security responsibilities in the Peninsula and the Gulf and whose continued close friendship is very important to us. Our positive response reflects the very high value which the US places on this policy interest.

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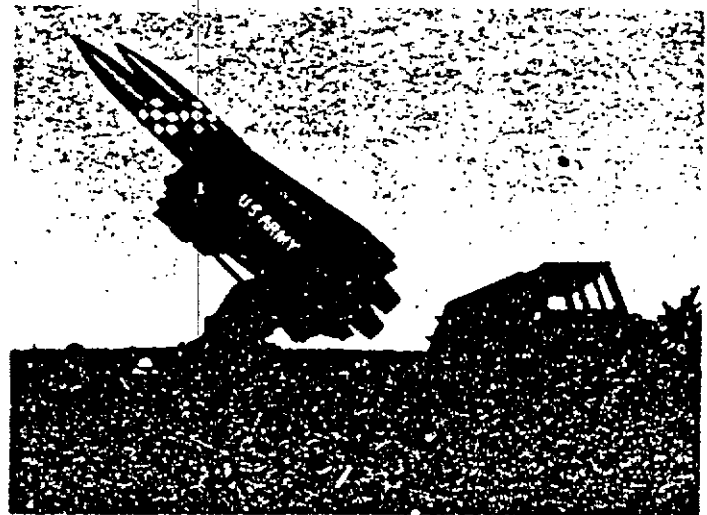
US MILITARY SALES PROPOSALS FOR KUWAIT

Our willingness to help Kuwait with its military defenses has been based on our desire to discourage political pressure or an actual military threat from Iraq in order that: (1) our valuable economic interests in Kuwait can be protected, and (2) to assure Kuwait's continued ability to remain a major world oil supplier. While we realize that Kuwait would not be able to defend itself in the face of a large-scale invasion by an outside power, Kuwait has the capability of building up a force large enough to hold off an aggressor for a few days until help comes from other sources. Although Kuwait, unlike Iran and Saudi Arabia, does not have regional security responsibilities, we have encouraged Kuwait to work closely with Saudi Arabia and Iran and to acquire US military equipment comparable to that found in Saudi Arabia and Iran.

Background

In January 1971 Kuwait was made eligible for Foreign Military Sales. Later that year Kuwait asked for an in-depth analysis of its defense requirements, and a Department of Defense Survey Team arrived in February 1972. Although not making specific recommendations, the conclusions of the Survey Team report pointed to Kuwait's acquiring F-5E aircraft, TOW anti-tank missiles, Hawk anti-aircraft batteries, and an integrated air defense/command system with reasonable radar, communications, and related equipment. In February 1973 a Kuwaiti team visited US installations in Europe to look at F-5 and F-4 aircraft, improved Hawk, and command/control systems.

In April 1973, following the March 20 border skirmish with Iraq, we sent a team in response to Kuwait's request to present a comprehensive program based on the survey



The Hawk Missile

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report plus Kuwait's priority need for new motor vehicles, tanks, and some very quickly attainable air cover. In response to Kuwait's request, we demonstrated the F-8H and K Navy Crusaders. Since the F-8 is a used aircraft, which could be made available in six months, but which can be effectively used for only three or four more years, the Kuwaitis asked about a follow-on aircraft--either the "Lightweight Fighter" or the Phantom F-4 or appropriate new generation aircraft. The Kuwaitis have clearly indicated they do not desire the F-5.

While Iraqi troops have withdrawn from the Al Samitah post occupied on March 20, they still remain in other disputed areas along the frontier which Kuwait considers its territory. The Kuwaitis remain highly apprehensive because Iraqi inflexibility so far does not give them much hope for a mutually-agreed border settlement. In this emergency and over the near term, Kuwait has decided to upgrade its defensive capability and has turned to the US for assistance.

US Effort

The Defense Department team sent to Kuwait in April agreed in principle to provide equipment, training, and construction totalling \$560 million. A little over half of the total is for equipment and training, and the balance is for construction. A new US sales team arrived in Kuwait on May 31 for further negotiations. No contracts on any of the offers have yet been concluded. No FMS credit is involved.

We do not expect a Kuwaiti decision on this program for several months. If a program of this nature is implemented, it is expected to take at least five years to allow for the necessary training and modest augmentation of Kuwait's armed forces which now total about 8,500. [REDACTED]

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INTERNATIONAL ORGANIZATIONS

UN PEACEKEEPING FORCE IN CYPRUS EXTENDED

On June 15 the Security Council by a vote of 14 (US) to 0, with the PRC abstaining, adopted a resolution on Cyprus virtually identical with those that have been adopted at six-month intervals in recent years.

Once Again, Six More Months

The resolution urged the parties concerned to act with the utmost restraint and to cooperate to achieve the objectives of the Security Council, and extended the stationing of the UN Peacekeeping Force in Cyprus (UNFICYP) for a further six months ending December 15 "in the expectation that by then sufficient progress towards a final solution will make possible a withdrawal or substantial reduction of the Force."

The Council's consideration of the question was relatively routine and the resolution itself was agreed to through consultations before the meeting opened. Following the vote the representatives of Cyprus, Turkey, and Greece spoke, all taking a conciliatory line. All Council members except the PRC also spoke, generally indicating their support for UNFICYP's extension in order to preserve the climate necessary for continued progress in the intercommunal talks.

US Supports a Reorganization of UNFICYP

The United States has sought over the past few months support for a reorganization of UNFICYP, both to help



*Cyprus: Generally Calm,
but Peace Force Still
Needed*

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eliminate the deficit--estimated soon to reach \$18.9 million--and to bring UNFICYP's size and structure into line with the functions it is actually performing.

Noting that the military situation had remained calm during the reporting period, the US Representative, Ambassador Scali, expressed "cautious optimism" about the possibilities for substantial progress and strongly urged "all sides to take full advantage of this promising atmosphere." He stressed UNFICYP's financial difficulties and regretted that effective support for it had been left to "a small number of states who continue to contribute more generously than their own interests or responsibilities would dictate."

Scali concluded by strongly supporting the Secretary-General's intention to study ways and means of reducing the UN financial and manpower commitment and make "appropriate recommendations" in his next report to the Council, and suggested that this study include creating alternative force models "based on hypothetical reductions in the neighborhood of 25 percent, 50 percent, and 75 percent of UNFICYP's current strength" of 3,144 men.

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SECURITY COUNCIL MEETS ON MIDDLE EAST

At the request of Egypt the Security Council held ten meetings during June 6-14 to discuss the situation in the Middle East. On June 14 the President of the Council read a statement expressing the sense of the Council that the meetings should be suspended until mid-July.

Attention focused principally on a report submitted by the Secretary-General summarizing UN efforts in dealing with particular aspects of the Middle East situation (e.g., maintenance of the cease-fire, status of Jerusalem, refugees) and reviewing progress in the search for a settlement under the auspices of Ambassador Jarring in accordance with resolution 242 of November 22, 1967.

Representatives of 32 countries, including 9 foreign ministers or equivalent, participated in the debate. No strikingly new ideas or proposals were set forth, and the positions of the

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parties were largely predictable. The debate was by and large serious and moderate, and threats of resort to military force or action against western interests, particularly oil, were muted and indirect.

Egyptian Statement

The Egyptian Foreign Minister opened the debate indicating he would at a later date comment on the Secretary-General's report. With regard to the current situation, he said that his government had requested the Council to examine the question "after six years of effort and endurance have failed to put an end to the Israeli military occupation of our land." He noted that Egypt had called for the Council meetings that resulted in adoption of resolution 242 and said that at that time they had "called for the immediate and unconditional withdrawal of all Israeli forces from all territories invaded in June 1967." He characterized Israel's posture since then as a demand to meet the vanquished and dictate its terms and declared that all UN resolutions on the subject "remained mere documents."

Zayyat's statement in his speech that Egypt accepted talks "without prior conditions" attracted particular attention during the debate. His subsequent explanation made clear, however, that Egypt still seeks a prior Israeli commitment to total withdrawal from occupied territories and considers Israel's refusal to give such a commitment to be an Israeli precondition to negotiations. He further stated that resolution 242's affirmation of "secure and recognized boundaries" for all did not mean that these should be established for Israel inside Egypt or Syria.

In conclusion, Zayyat announced Egypt's readiness to continue Jarring's talks with a view to achieving a just and lasting peace. "The price, however, has not been and shall not be the betrayal of our territorial integrity or the abandonment of the inalienable right of the Palestinians as a nation to live in peace within recognized and secure boundaries." He declared that a partial or interim settlement was completely unacceptable.

Israeli Position

Israel's Ambassador Tekoah spoke immediately after the Egyptian Foreign Minister. He stated that his government had repeatedly declared that it did not wish to freeze the existing situation and enumerated Israeli efforts to reach agreement which had been rebuffed by Egypt. He also asked, as a basic question, whether

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Egypt had abandoned the ultimate objective of bringing about Israel's destruction as an independent state.

With regard to the "secure and recognized boundaries" affirmed in resolution 242, Tekoah stated that the boundaries were not defined in the resolution but were subject to negotiation and agreement. In response to Mr. Zayyat's statement that Egypt accepted direct negotiations without prior conditions he stated that "Israel is prepared to enter into any free negotiations without preconditions." He ended with a call to Egypt to join Israel in building peace together.



The Suez Canal: Wider Than an Ocean

Egyptian Questions

On June 12 the Egyptian Foreign Minister put three queries to the Secretary-General, to which the latter replied on the 14th.

(1) Did the Special Representative intend to prepare aides memoires for Jordan and Syria in addition to his aide memoire of February 8, 1971, to Egypt and Israel on elements of a settlement? The Secretary-General responded that Ambassador Jarring had in 1971 indicated his intention of submitting an aide memoire relating to Israel and Jordan. Further, if Syria were to accept resolution 242 Jarring might also submit an aide memoire relating to Syria.

(2) Was the absence of reference to Gaza in the February 8 aide memoire without prejudice to the status of the strip as an

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"Arab territory" which "should be de-occupied"? The Secretary-General replied that this was in essence correct.

(3) Would the Secretary-General confirm that the US Permanent Representative, in his capacity as chairman of the Four Power meeting of June 24, 1971, did inform him that the Four "welcomed and supported" the February 8, 1971, initiative of the Special Representative and believed that Jarring was acting fully in accordance with the terms of his mandate under resolution 242? The Secretary-General confirmed that this conferred the general sense of that meeting.

US Position

Ambassador John Scali addressed the Council on June 14. His theme was the need to start a genuine negotiating process between Arab and Israeli. He described this meeting as a challenge to deal responsibly with the problem of the Middle East and an opportunity to reaffirm that the Council does not consider the present situation in the area either natural or permanent.

Ambassador Scali reaffirmed the US position that resolution 242 remains the landmark it was at its adoption. It recognized that peace in the Middle East must be based on a just settlement not only of the problems arising out of the hostilities of June 1967, but also of the underlying causes of the Arab-Israeli conflict. He enumerated the essential elements with which the UN began the search for peace in 1967: (1) The Council had not addressed the question of who was responsible for the outbreak of the fighting in June 1967, nor did it call for unconditional Israeli withdrawal. (2) Resolution 242 did not define the terms of settlement; it defined a set of "provisions and principles" which constitute a framework for the terms of a final settlement.

After recalling the main provisions and principles of resolution 242 Ambassador Scali noted in conclusion that it called for agreement and said the United States had never seen how such agreement was possible without an ongoing, serious negotiating process, either direct or indirect, which engaged the parties themselves.

Dismissing allegations of US partisanship in the dispute, he stated the overriding interest of the US was in peace to end the fear and uncertainty of the past quarter century. The parties must come to grips with the issues of sovereignty and security. The question of boundaries must be resolved as part of an overall agreement for a new relationship among the parties re-

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placing that defined in the 1949 armistice agreements. He went on to say:-

"But the fact is that resolution 242 is silent on the specific question of where the final border should be located. It neither endorses nor precludes--let me repeat: neither endorses nor precludes--the armistice lines, which existed between Israel, Egypt, Jordan and Syria on June 4, 1967, as the final secure and recognized boundaries."

He concluded by restating US determination to preserve the basis for agreement which resolution 242 represents, and to try to move forward with renewed energy. [REDACTED]

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INTELLIGENCE AND RESEARCH

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COMMUNIST ECONOMIC AID TO THE LDCs STILL A FRACTION OF WESTERN EFFORTS

In recent years Communist countries have placed increasing emphasis on foreign economic assistance as a major instrument for strengthening their political and commercial interests in the less developed countries (LDCs) of the non-Communist world. Direct comparisons between Communist and Western aid flow can be misleading--not the least of the difficulties being the definitional problem of what actually constitutes foreign aid, and the absence in Communist countries of any distinction between government and private sector activities.

Nevertheless, the orders of magnitude of available data clearly show that Communist aid efforts still represent only a small fraction of the Official Flows extended to the LDCs by the 16 member nations of the Organization for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC), however qualified direct comparisons must be. (Communist aid includes provision of goods and services, either as grants or on deferred payment terms. Credits allowing five years or more for repayment are included.)

DAC aid flows comprise Official Development Assistance (ODA) and Other Official Flows (OOF). ODA is defined as "all contributions which are administered with the promotion of economic welfare of developing countries as the main objective and whose financial terms are intended to be concessional in character." OOF includes official export credits, and debt relief and contributions to multilateral institutions which are not sufficiently concessional

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to classify as ODA.

Aid Commitments--Communist Aid Dwarfed by US Totals Alone

Since 1954, Communist economic credits and grants to the LDCs--grants constituting only about 5 percent of the total--have amounted to \$15 billion. Almost 45 percent of these commitments were extended during the last six years. Even so, these 1967-72 Communist commitments represented less than one-tenth of the official commitments made to the LDCs over the same period by DAC members. Commitments by the US alone were more than 4-1/2 times total Communist aid commitments in the 1967-72 period.

(billions of dollars)

	DAC Commitments			Communist Economic Commitments	Communist Commitments As % of DAC Commitments	US Commitments		
	ODA	OOF	Total			ODA	OOF	Total
1967	8.4	1.3	9.7	.4	4.2 %	4.5	1.0	5.5
1968	8.1	1.1	9.2	.6	6.4 %	4.0	.8	4.8
1969	7.7	1.5	9.2	.9	9.7 %	3.3	.6	3.9
1970	8.2	2.5	10.7	1.1	10.2 %	3.3	.8	4.1
1971	9.7	3.2	12.9	1.7	13.3 %	3.9	1.1	5.0
1972	11.3	4.5*	15.8	1.7	10.9 %	4.5	1.9*	6.4
	53.4	14.1	67.5	6.4	9.5 %	23.5	6.2	29.7

*Estimate

Aid Drawings

Communist economic aid performance is even less impressive when drawings of Communist aid by the LDCs are compared with gross disbursements of official assistance by the DAC member countries. Over half of the drawings on Communist aid for the period 1954-72 occurred in the last six years. In these six years (1967-72), drawings on Communist aid averaged only about 5.5 percent of the gross disbursements effectuated by the DAC member countries.

Terms

The terms of Soviet and East European aid are generally harder than those extended by DAC member countries in their ODA programs, although they compare more favorably with DAC country OOF terms. Approximately 60 percent of 1971 DAC ODA commitments were grants, while the terms on ODA loans averaged 28.7 years, had an average interest rate of 2.8 percent, and carried an average grace period of 6.5 years. Interest rates approximating 6 percent are common in OOF transactions.

Soviet grants are the rare exception, and the terms of Soviet development credits average about 12 years with 2.5 percent

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interest. Soviet commercial credits--about one-fifth of Soviet aid in 1972--average from 8-10 years with 3-3.5 percent interest--possibly slightly higher interest in some commercial transactions --although in 1972 some credits were for 10-12 year periods, and some carried an interest rate of 2.5 percent.

(billions of dollars)				
	DAC Disbursements			Communist Economic Aid Drawn by the LDCs
	ODA	OOF	Total	
1967	7.2	1.1	8.3	.5
1968	7.1	1.4	8.5	.5
1969	7.2	1.5	8.7	.5
1970	7.5	2.4	9.9	.5
1971	8.8	2.8	11.6	.7
1972	9.8	3.2*	13.0	.6
	47.8	12.4	60.0	3.3

*Estimate

The financial terms of Chinese economic aid are more generous than those of the Soviets or East Europeans. Grants account for over one-third of Chinese aid, with the remainder consisting of interest-free credits with repayment terms that average 10-20 years after a 5-10 year grace period.

Net Flow

About three-fifths of Communist disbursements in the 1967-72 period were attributable to Soviet aid. The net outflow of Soviet aid, however, is significantly reduced by a rising level of repayments. In 1972, for example, economic aid drawings of \$400 million were only \$140 million higher than repayments made by the LDCs to the USSR for past aid. Several LDCs are now experiencing, or are approaching, a net outflow to the USSR.

Debt service payments have had less impact on the net transfer of DAC members' ODA, although they significantly reduce the net transfer of OOF. In 1971 gross ODA disbursements totaled \$8.8 billion. Amortization and interest payments on past loans totaled \$1.6 billion, leaving a net transfer of \$7.2 billion to the LDCs. Gross OOF disbursements in 1971 were \$2.8 billion, although amortization and interest payments of \$1.9 billion reduced the net transfer to \$0.9 billion.

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1971 DAC Official Flows
(billions of dollars)

	Disbursements Gross Flow	- Amortization	= NET FLOW	- Interest	= NET TRANSFER
Bilateral ODA Grants	3.6	-	3.6	-	3.6
Bilateral ODA Loans	3.9	1.1	2.8	.5	2.3
Multilateral ODA	1.3	-	1.3	-	1.3
Total ODA	8.8	1.1	7.7	.5	7.2
Total OOF	2.8	1.5*	1.3	.4*	.9
ODA + OOF	11.6	2.6	9.0	.9	8.1

*Estimate

The combined ODA and OOF gross flow of \$11.6 billion in 1971 was accompanied by amortization and interest payments of \$3.5 billion which reduced the net transfer by about 30 percent to \$8.1 billion. (UNCLASSIFIED)

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INDOCHINA: NO PEACE AT HAND?



*"...in the Eye of
the Beholder"*

Hanoi's and Saigon's initial public commentary on the Joint Communique signed in Paris on June 13, 1973, shows some significant divergence in the way they interpret the meaning of the latest Vietnam agreement. While both the Communists and the Saigon government use the occasion to reaffirm their intentions to comply fully with this and the earlier Paris agreement on Vietnam, there is no evidence that they are any closer to agreement on the causes of the continuing hostility or on the major issues still dividing them. Their rhetoric alone does not bode well for a quick or early solution to the conflict.

Hanoi Sees an Important Victory

A DRV Foreign Ministry statement of June 14 describes the latest Vietnam agreement as "an important victory" for the Vietnamese people. Predictably, Communist media blame the "very serious and systematic violations of the cease-fire" by the US and GVN for the continued fighting and argue that the only correct way to maintain peace is to implement

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scrupulously the Paris Agreement. More significantly, the DRV Foreign Ministry statement argues that this mean strict termination of US military involvement and interference in South Vietnam and the solution of the internal problems of South Vietnam on the basis of the recognition that there exist in reality in South Vietnam two administrations, two armies, two zones of control, and three political forces.

Of the Communique's 14 points, Communist media stress the importance of four provisions regarding South Vietnam: the delineation of the territory controlled by each side, the release of arrested and detained Vietnamese civilians, the formation of the Council of National Reconciliation and Concord, and the provision of democratic liberties. Of these, Hanoi clearly considers the proposed modalities to determine control of territory as being the most important to its side. On the issue of Cambodia and Laos, the Foreign Ministry statement merely repeats the language of the Communique while reaffirming Hanoi's stand that the internal affairs of Laos and Cambodia must be settled by the people of Laos and Cambodia without foreign interference.

Saigon Claims Reaffirmation of Paris Agreement Position

Initial South Vietnamese commentary indicates that they view the June 13 Communique as a reaffirmation of their previous position on the Paris Agreement. Of special note is the South Vietnamese claim that the Communique confirms that the GVN is the only legal government and that the Army of the Republic of Vietnam is the only legitimate army in South Vietnam. In this context Saigon stresses that Communist-controlled areas are only under temporary military control pending a political settlement. Saigon further sees the Communique as reaffirming that the implementation of "democratic liberties" is conditional on compliance with the in-place cease-fire. With regard to general elections, the South Vietnamese emphasize that the procedures for holding elections must be agreed upon before the implementation of the other political provisions of the Paris Agreement, such as the establishment of "democratic freedoms," the formation of the National Council of Reconciliation and Concord, and settlement of the problems related to the Vietnamese armed forces in South Vietnam.

Saigon insists that the Communique primarily means that the Communists must stop violating the cease-fire, immediately end land-grabbing operations, and cooperate with the GVN in determining zones of control. The GVN also emphasizes those provisions calling for the Communists to cease infiltration of men and supplies from the North and to withdraw their forces from Cambodia and Laos. With the exception of a few minor concessions--such as the agree-

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ment to allow the PRG delegation to the Two-Party Joint Military Commission to move into downtown Saigon--the GVN apparently sees the Communique as requiring no adjustments in its own basic position on military and political questions. [REDACTED]

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